

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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August 31, 2004

Ms. Carol W. Disbro, Director of Reimbursement
Trans Healthcare, Inc.
The Highlands
910 Ridgebrook Road
Sparks, Maryland 21152

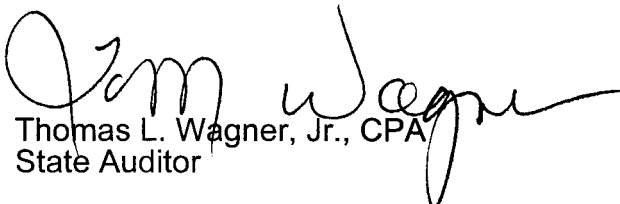
Re: AC# 3-MPG-J0 – Magnolia Place – Greenville, Inc.

Dear Ms. Disbro:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mrs. Kathleen C. Snider

MAGNOLIA PLACE – GREENVILLE, INC.

GREENVILLE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-MPG-J0**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

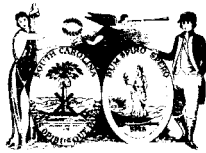
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 3, 2004

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Magnolia Place – Greenville, Inc., for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Magnolia Place – Greenville, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

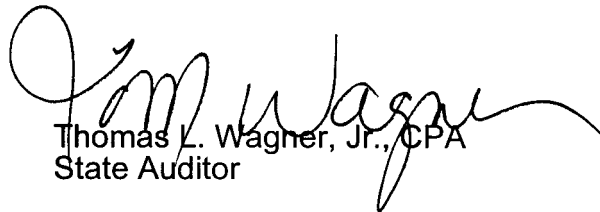
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Magnolia Place – Greenville, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report .
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Magnolia Place – Greenville, Inc. dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 3, 2004

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

MAGNOLIA PLACE – GREENVILLE, INC.

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-MPG-J0

10/01/01-
12/31/02

Interim Reimbursement Rate (1)	\$114.92
Adjusted Reimbursement Rate	<u>113.63</u>
Decrease in Reimbursement Rate	\$ <u>1.29</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 8, 2003

MAGNOLIA PLACE – GREENVILLE, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through December 31, 2002
AC# 3-MPG-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 64.63	\$58.02	
Dietary		9.58	10.74	
Laundry/Housekeeping/Maintenance		<u>8.62</u>	<u>9.23</u>	
Subtotal	\$ <u>-</u>	82.83	77.99	\$ 77.99
Administration & Medical Records	\$ <u>-</u>	<u>15.58</u>	<u>11.47</u>	<u>11.47</u>
Subtotal		98.41	<u>\$89.46</u>	89.46
<u>Costs Not Subject to Standards:</u>				
Utilities		2.61		2.61
Special Services		.01		.01
Medical Supplies & Oxygen		4.66		4.66
Taxes and Insurance		1.59		1.59
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$107.30</u>		98.35
Inflation Factor (3.80%)				3.74
Cost of Capital				8.75
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-On 10/01/2000				<u>2.79</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$113.63</u>

MAGNOLIA PLACE – GREENVILLE, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-MPG-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,856,214	\$12,288 (8)	\$44,201 (2) 37,133 (2) 40,746 (3) 7,983 (3) 13,515 (4)	\$2,724,924
Dietary	407,373	327 (8)	3,431 (3) 476 (4)	403,793
Laundry	89,151	38,110 (6)	224 (3)	127,037
Housekeeping	136,283	-	-	136,283
Maintenance	100,872	-	846 (3)	100,026
Administration & Medical Records	534,137	37,133 (2) 23,226 (2) 2,964 (3) 3,303 (3) 24,314 (4) 31,650 (5) 122 (8)	-	656,849
Utilities	109,965	-	24 (4)	109,941
Special Services	9,040	2,478 (9)	1,938 (3) 550 (4) 8,546 (10)	484
Medical Supplies & Oxygen	191,535	20,975 (2) 3,381 (3) 2 (9)	19,289 (8)	196,604
Taxes and Insurance	58,204	9,915 (7)	1,232 (4)	66,887

MAGNOLIA PLACE – GREENVILLE, INC.
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 2000
 AC# 3-MPG-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	700	-	-	700
Cost of Capital	429,219	1,300 (5) 544 (6) 14,347 (11) <u>1,790 (12)</u>	11,501 (1) 66,705 (4)	368,994
Subtotal	4,922,693	228,169	258,340	4,892,522
Ancillary	172,125	6,552 (8)	-	178,677
Nonallowable	469,773	11,501 (1) 45,520 (3) 58,188 (4) 8,546 (10) <u>1,790 (12)</u>	32,950 (5) 38,654 (6) 2,480 (9) 14,347 (11) <u>1,790 (12)</u>	503,307
Total Operating Expenses	<u>\$5,564,591</u>	<u>\$358,476</u>	<u>\$348,561</u>	<u>\$5,574,506</u>
Total Patient Days	* <u>42,163</u>	<u>-</u>	<u>-</u>	<u>42,163</u>
* Adjusted to 96% occupancy				
Total Beds	<u>120</u>			

MAGNOLIA PLACE – GREENVILLE, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MPG-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$ 11,501	
	Accumulated Depreciation	122,110	
	Other Equity	458,686	
	Fixed Assets		\$580,796
	Cost of Capital		11,501
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Administration	37,133	
	Medical Records	23,226	
	Medical Supplies & Oxygen	20,975	
	Nursing		44,201
	Restorative		37,133
	To reclassify salaries to the proper cost centers		
	DH&HS Expense Checklist		
3	Administration	2,964	
	Medical Records	3,303	
	Medical Supplies & Oxygen	3,381	
	Nonallowable	45,520	
	Nursing		40,746
	Restorative		7,983
	Dietary		3,431
	Laundry		224
	Maintenance		846
	Therapy		1,938
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Administration	24,314	
	Nonallowable	58,188	
	Nursing		13,515
	Dietary		476
	Utilities		24
	Therapy		550
	Taxes, Licenses & Insurance		1,232
	Cost of Capital		66,705
	To adjust the IHS home office allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

MAGNOLIA PLACE – GREENVILLE, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MPG-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Administration Cost of Capital Nonallowable	31,650 1,300	32,950
	To adjust the central accounting office home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
6	Laundry Cost of Capital Nonallowable	38,110 544	38,654
	To adjust the laundry home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Taxes, Licenses & Insurance Other Equity	9,915	9,915
	To adjust property taxes to actual HIM-15-1, Sections 2302.1 and 2304		
8	Nursing Dietary Medical Records Ancillary Medical Supplies & Oxygen	12,288 327 122 6,552	19,289
	To reclassify expenses to the proper cost centers DH&HS Expense Checklist		
9	Medical Supplies & Oxygen Therapy Nonallowable	2 2,478	2,480
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Nonallowable Therapy	8,546	8,546
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		

MAGNOLIA PLACE – GREENVILLE, INC.
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-MPG-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Cost of Capital Nonallowable	14,347	14,347
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
12	Cost of Capital Nonallowable	1,790	1,790
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$939,272</u>	<u>\$939,272</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MAGNOLIA PLACE – GREENVILLE, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-MPG-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>120</u>
Deemed Asset Value	4,469,520
Improvements Since 1981	39,685
Accumulated Depreciation at 9/30/00	<u>(218,741)</u>
Deemed Depreciated Value	4,290,464
Market Rate of Return	<u>.058</u>
Total Annual Return	248,847
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	248,847
Depreciation Expense	130,681
Amortization Expense	-
Capital Related Income Offsets	(10,534)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	368,994
Total Patient Days (Minimum 96% Occupancy)	<u>42,163</u>
Cost of Capital Per Diem	\$ <u><u>8.75</u></u>

2 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$2.76. The FY 2004-05 Appropriation Act requires that this information on printing costs be added to the document.